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CORPORATION FILE

THE
BETHLEHEM
CORPORATION



ANNUAL
REPORT
1969

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FINANCIAL HIGHLIGHTS	1969	1968
Net Sales	\$11,674,719	\$8,919,433
Earnings Before Income Taxes	914,252	1,147,104
Income Taxes	524,775	608,000
Net Earnings	389,477	539,104
% of Net Sales	3.3%	6.0%
Earnings Per Share*	0.48	0.67
Dividends Per Share*	0.136 + 10% Stock	0.27
Shares Outstanding*	807,939	807,939
Shareholders' Equity	4,624,778	4,348,446

* Adjusted to reflect 10% stock dividend declared on December 15, 1969, and paid on January 15, 1970. Earnings per share prior to the 10% stock dividend were .53 and .73 for 1969 and 1968 respectively.

REPORT OF THE PRESIDENT



To the Share Owners of The Bethlehem Corporation:

Your company, founded in 1856, made probably the most significant and strategic move in its entire history in May 1969, through the acquisition of the Treadwell Engineering Company's manufacturing facilities at Easton, Pennsylvania, ten miles from Bethlehem.

This new facility doubles the number of Bethlehem's workers and provides three times the amount of previous manufacturing space—and ten times the amount of land available for future expansion.

While Bethlehem's 1969 earnings did not keep pace with the previous year, substantial progress was made in readying the company to meet the urgent domestic requirements foreseen for our standard products and the indicated demand for our several new products.

Net earnings for 1969 include those of the new Easton facility, after the extraordinary costs related to the take-over and the problems of integration and start-up, new tooling, and the installation of new equipment.

Due to the extraordinary credit conditions prevailing, with interest rates higher than at any time in over one hundred years, the Directors deemed it advisable to conserve cash and to pay the 10% dividend in common stock.

The Easton plants were bought for cash and resulted in no stock dilution.

Over the past few years, Bethlehem has invested considerable amounts on research and development. Fortunately, we have directed our efforts toward products and industries which now are in the main stream of public interest and rising market demand.

Power Generating Turbine Components

The backlog of turbine components is largest in your

company's history. Because of the critical power shortages, these programs are being expanded aggressively.

Hyperbaric Oxygen Therapy

In hyperbaric oxygen therapy we have developed a leading position. We now have a number of new hospital items in this division with promising market potentials.

The use of hyperbaric oxygenation in the treatment of senility and heart conditions may prove to be a significant medical breakthrough.

With the 27,000,000 people in the geriatric class and the great increase in government sponsorship of hospital facilities and nursing homes, it would seem that equipment helpful to this age group has a promising future.

Air and Water Pollution

We have been building equipment for public sanitation and water pollution control for a number of years. The intense public interest in this problem at the time may trigger a substantial increase in the worldwide demand for these products.

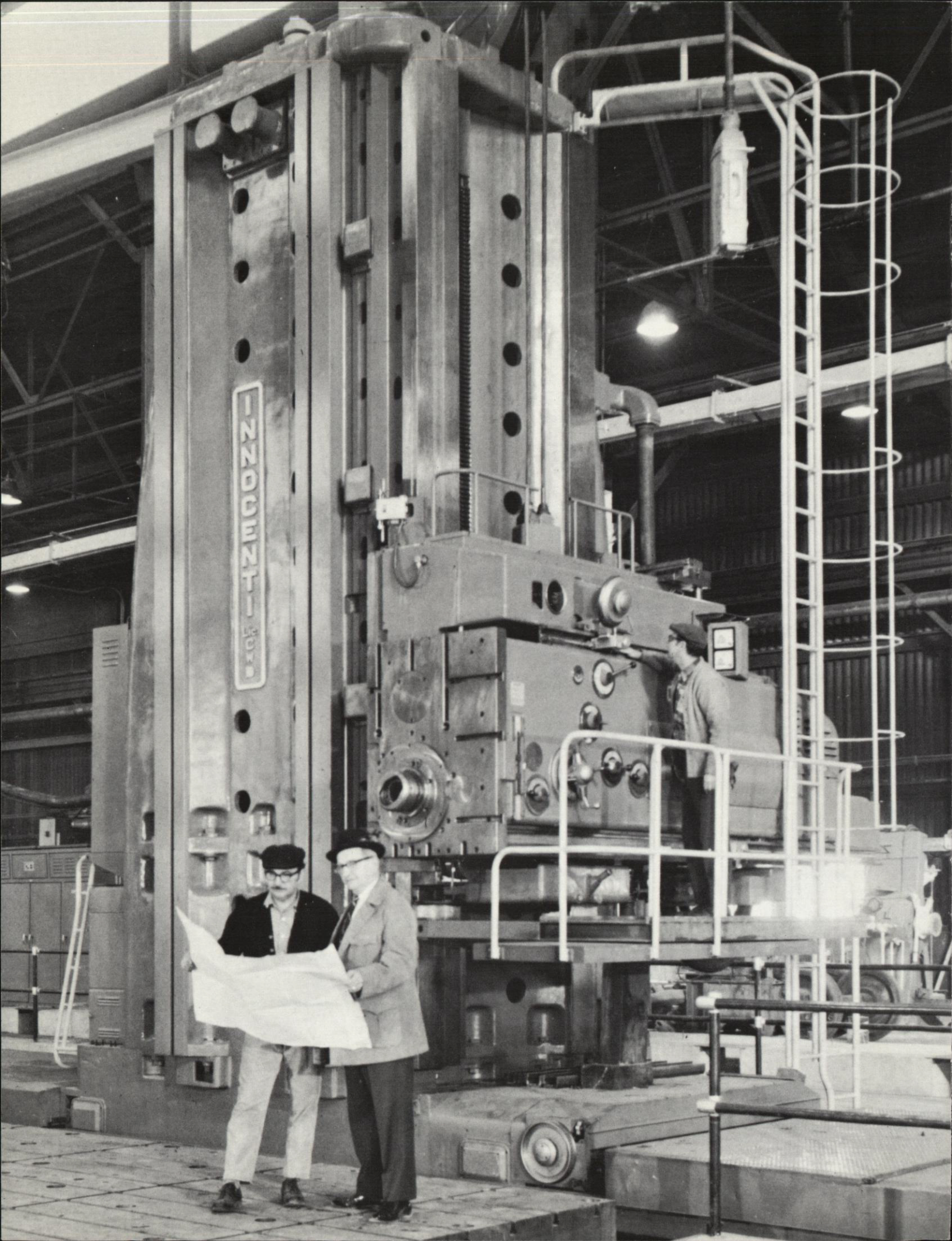
New Equipment

A number of machine tools have been acquired which will not be fully in place and operative until sometime in June. The first and largest piece of equipment, the Innocenti horizontal boring mill, which went on stream in February 1970, is shown in this report. This is one of the finest pieces of equipment on the East Coast.

The full effects of the operation of all of this new equipment will be felt the latter half of the year.

General Comment

We expect that the general stability of the labor situation in the Bethlehem area and the high quality of workmanship put forth will continue to prevail.



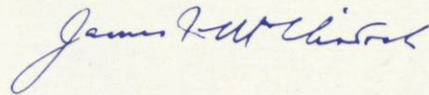
Despite the Federal Reserve's restrictive monetary measures which continued throughout the entire year, as government policies were directed toward curtailing inflation and slowing the upward spiral in prices, your company closed the year with the largest unfilled backlog of orders in its entire history.

We were all saddened by the passing, in 1969, of Mr. Willard Moyer, Secretary and Treasurer, who had been with the company for over fifty years.

The loyalty and creative contributions of officers, employees and Directors have been important in the progress of the company, and we wish to express our thanks to all for their dedication.

In the last two years we have brought some very skilled and knowledgeable young men into the company. These men are imaginative and hard working, and already are making important contributions to Bethlehem's growth and progress.

In review, we are pleased at the progress of your company in 1969, and look forward to new highs in most all divisions in 1970.



JAMES I. McCLINTOCK, Chairman



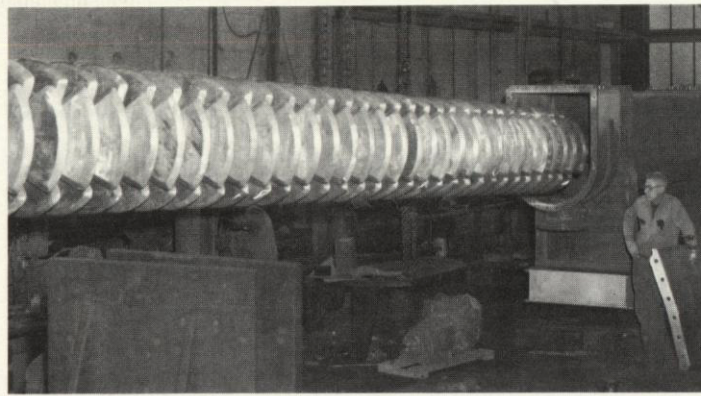
WESLEY J. PEOPLES, Co-Chairman
and President

April 7, 1970

(Left) This 140 ton horizontal boring mill, one of the largest specialized machine tools of its kind in the country, is now in operation at Bethlehem's Easton plant machining gas and steam turbine components.

(Bottom) Our new facilities in Easton, Pa. cover some 250,000 square feet, providing three times the amount of previous manufacturing space. In addition, this site comprises 30 acres of prime industrial property for future expansion.





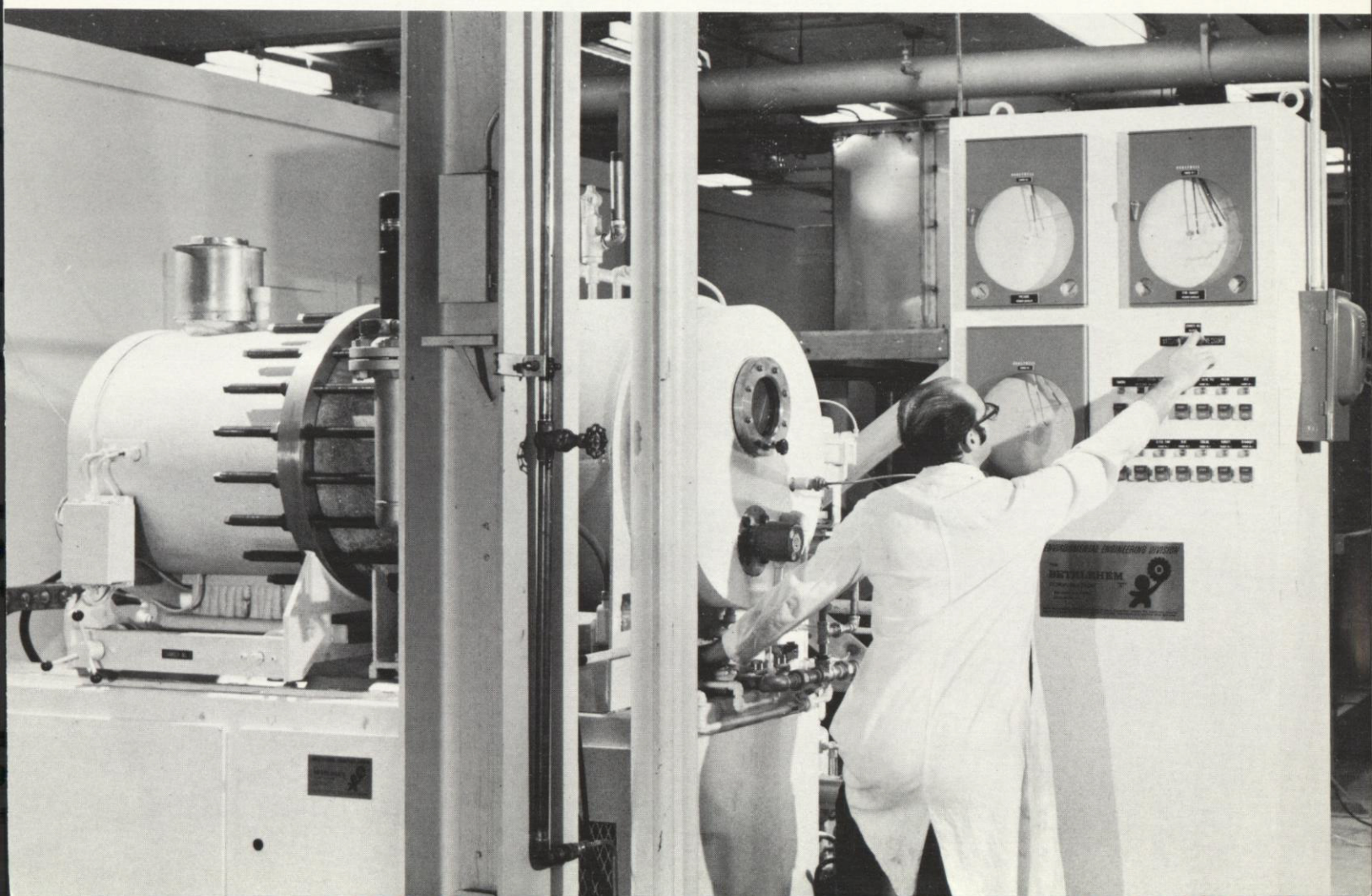
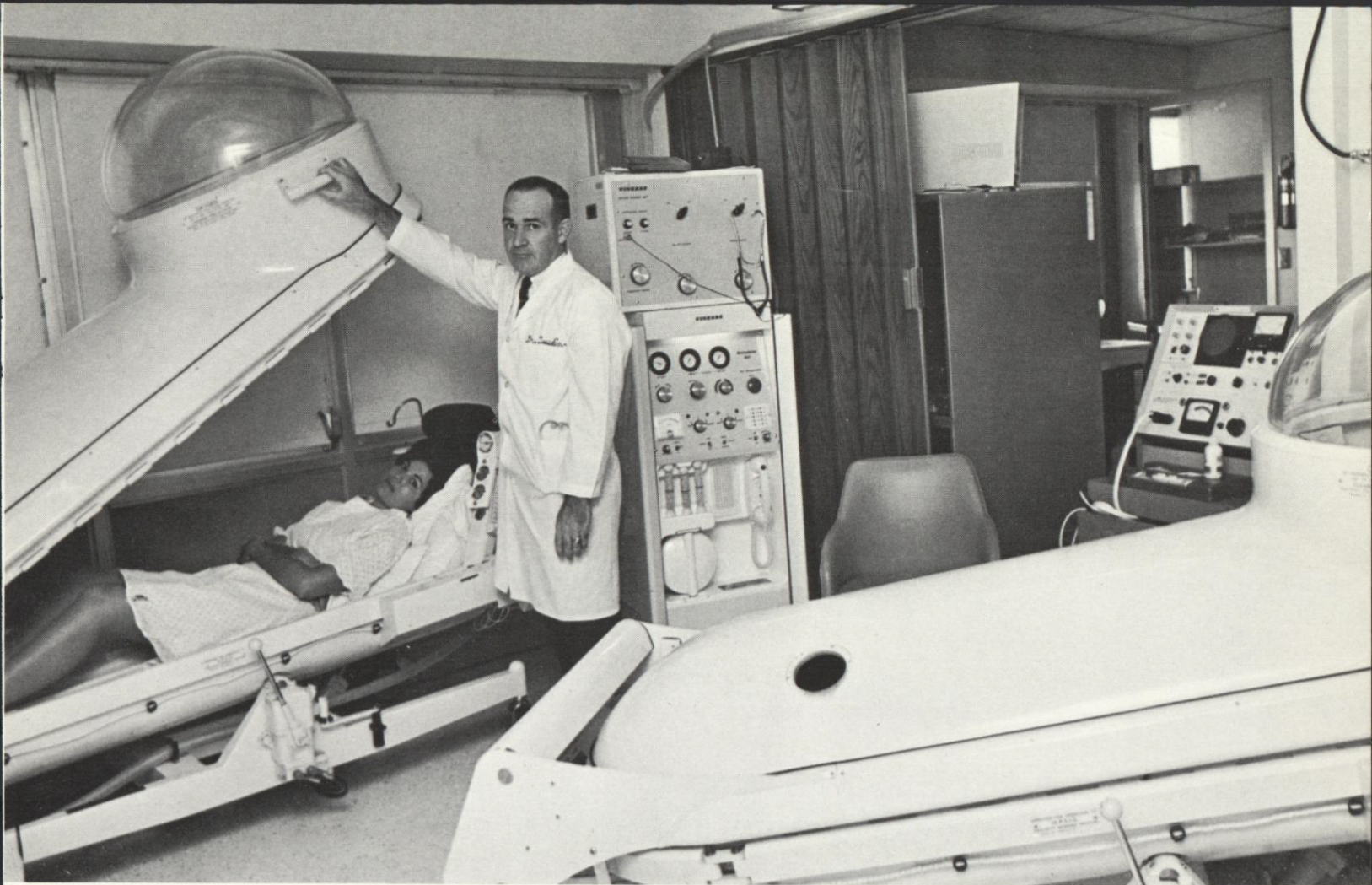
(Top) Porcupine cooling application used in the refractory manufacturing industry, handles 5 tons per hour of calcine magnasite.

(Center) The Ventimask provides a comfortable and effective means of ventilation in cardiac and bronchopulmonary respiratory failure. It provides a regulated flow efficiency that often makes the critical difference when seconds mean life.

(Bottom) With the growth of the basic oxygen process in steel making, there has been an increasing demand for these hot metal cars fabricated at the Easton plant.

(Top Right) Two hyperbaric beds recently delivered by Bethlehem to the Miami Heart Institute, Miami Beach, one of America's most distinguished medical institutions, devoted to cardio-vascular treatment and heart research.

(Bottom Right) This Bethlehem Environmental Test System is in use by the Federal Government for the application of concrete structures in desalination plants. In the near future pressure vessels will probably be manufactured of reinforced concrete in which sea water will be evaporated. This method would produce tremendous cost savings, replacing the extremely expensive use of nickel alloys.



**BALANCE SHEETS**

ASSETS	<i>December 31,</i>	
	<u>1969</u>	<u>1968</u>
CURRENT ASSETS		
Cash	\$ 1,896,256	\$1,589,823
Accounts receivable, less allowance for doubtful accounts of \$10,500 in 1969 and \$10,456 in 1968	2,108,621	1,305,178
Inventories at lower of cost (first-in, first-out method) or market		
Raw materials, parts and supplies	983,778	618,860
Work in process and finished products	1,746,493	1,097,747
	<u>2,730,271</u>	<u>1,716,607</u>
Prepaid expenses	80,175	68,795
Total current assets	<u>6,815,323</u>	<u>4,680,403</u>
PROPERTY, PLANT AND EQUIPMENT (Note 1)		
Land	570,895	220,895
Buildings and leasehold improvements	1,094,397	595,069
Machinery and equipment	4,001,754	2,982,396
Leased equipment	470,000	—
	<u>6,137,046</u>	<u>3,798,360</u>
Less accumulated depreciation and amortization	2,058,332	1,814,554
	<u>4,078,714</u>	<u>1,983,806</u>
DEFERRED EXPENSES AND OTHER ASSETS	<u>112,665</u>	<u>105,803</u>
	<u>\$11,006,702</u>	<u>\$6,770,012</u>

LIABILITIES

December 31,

1969

1968

CURRENT LIABILITIES

Notes payable to banks—unsecured	\$ 1,150,000	\$1,350,000
Current maturities of long-term debt	325,505	—
Accounts payable	1,537,228	532,592
Salaries and wages, commissions, taxes and sundry accruals	496,272	298,990
Federal and state taxes on income	92,908	129,811
Dividend payable	—	110,173
Total current liabilities	3,601,913	2,421,566
LONG-TERM DEBT (Note 2)	2,726,143	—
DEFERRED INCOME TAXES (Note 1)	53,868	—
COMMITMENTS AND CONTINGENCIES (Notes 3 and 4)		
STOCKHOLDERS' EQUITY		
Common stock — authorized, 2,000,000 shares without par value, stated value of \$.50 per share; issued, 811,439 shares at December 31, 1969 and 737,985 shares at December 31, 1968	405,720	368,993
Additional paid-in capital	1,389,481	792,667
Retained earnings	2,840,452	3,197,661
	4,635,653	4,359,321
Less common stock reacquired and held in treasury — at cost; 3,850 shares at December 31, 1969 and 3,500 shares at December 31, 1968	10,875	10,875
	4,624,778	4,348,446
	<u>\$11,006,702</u>	<u>\$6,770,012</u>

**STATEMENTS OF EARNINGS**

	Years ended December 31,	
	1969	1968
Net sales	\$11,674,719	\$8,919,433
Cost of goods sold	8,644,969	6,304,742
Gross profit	3,029,750	2,614,691
Selling and administrative expenses		
Selling expenses	879,971	745,176
Administrative expenses	1,068,240	717,402
	1,948,211	1,462,578
Operating profit	1,081,539	1,152,113
Other income	15,287	6,609
	1,096,826	1,158,722
Other deductions—principally interest	182,574	11,618
Earnings before income taxes	914,252	1,147,104
Income taxes		
State income taxes	92,775	58,000
Federal income taxes	432,000	550,000
	524,775	608,000
NET EARNINGS	\$ 389,477	\$ 539,104
Earnings per share of common stock (Note 5)	\$0.48	\$0.67

The accompanying notes are an integral part of these statements.

**STATEMENTS OF RETAINED EARNINGS AND ADDITIONAL PAID-IN CAPITAL**

RETAINED EARNINGS	Years ended December 31,	
	1969	1968
Retained earnings—beginning of year	\$3,197,661	\$2,878,903
Net earnings for the year	389,477	539,104
	<u>3,587,138</u>	<u>3,418,007</u>
Dividends declared (Note 5)		
Cash—\$.136 per share in 1969; \$.273 per share in 1968	110,173	220,346
Common stock—73,454 shares at fair market value of \$8.625 per share, plus \$2,972 cash in lieu of fractional shares	636,513	—
	<u>746,686</u>	<u>220,346</u>
Retained earnings—end of year	<u>\$2,840,452</u>	<u>\$3,197,661</u>
ADDITIONAL PAID-IN CAPITAL		
Additional paid-in capital—beginning of year	\$ 792,667	\$ 792,667
Excess of fair market value over stated value of \$.50 per share of shares issued as a 10% stock dividend	596,814	—
Additional paid-in capital—end of year	<u>\$1,389,481</u>	<u>\$ 792,667</u>

STATEMENT OF CHANGES IN WORKING CAPITAL

Source of working capital	Year ended December 31, 1969	
From operations		
Net earnings for the year ended December 31, 1969		\$ 389,477
Charges against earnings which did not require an expenditure of working capital		
Depreciation and amortization	\$ 300,461	
Deferred income taxes	53,868	354,329
		<u>743,806</u>
Long-term borrowings	3,178,943	
Less payments and current maturities	<u>452,800</u>	<u>2,726,143</u>
		<u>3,469,949</u>
Application of working capital		
Acquisition of fixed assets—net		2,395,369
Cash dividends		110,173
Sundry applications		9,834
		<u>2,515,376</u>
Net Increase in Working Capital		<u>\$ 954,573</u>

The accompanying notes are an integral part of these statements.

NOTES TO FINANCIAL STATEMENTS December 31, 1969

Note 1—Depreciation

Depreciation expense has been charged to operations for the years ended December 31, 1969 and 1968 in amounts of \$300,461 and \$181,345, respectively, computed on the straight-line method. Deferred Federal income taxes arise from the differences in determining depreciation expense for tax and financial reporting purposes.

Note 2—Long-Term Debt

Long-term debt at December 31, 1969 consists of:

Notes payable to bank in quarterly installments of \$62,500 plus interest; final installment of \$1,312,500 due on May 1, 1974	\$2,375,000
10% rental obligations under lease agreements, payable in monthly installments of \$6,211, including interest; final installment due October 24, 1979	467,705
12% equipment note obligations, payable in monthly installments of \$6,940, including interest, commencing May 1, 1970; final installment due April 1, 1973	208,943
	3,051,648
Less current maturities	325,505
	<u>\$2,726,143</u>

The term loan agreement covering the notes payable to bank provides for interest at 1% over the bank's prime rate.

Note 3—Pension Plans

The company has noncontributory funded and unfunded retirement plans in effect covering substantially all of its employees. The total pension expense for the year ended December 31, 1969 was approximately \$70,000 which includes amortization of prior service costs over periods of 25 to 30 years.

Note 4—Restricted Stock Bonus Plan

During the year, the company established a restricted Stock Bonus Plan under which a maximum of 77,000 shares of common stock were reserved for the issuance of stock options to officers and key employees. As at December 31, 1969, no stock options had been granted under this plan.

Note 5—Stock Dividend

On December 15, 1969, the company declared and recorded a 10% stock dividend distributed January 15, 1970. Earnings per share computed on the average number of shares outstanding prior to the stock dividend were \$.73 and \$.53 for 1968 and 1969, respectively, and \$.67 for 1968 and \$.48 for 1969, after giving effect to the stock dividend. Cash dividends per share have been restated from \$.30 in 1968 and \$.15 in 1969 to \$.273 and \$.136 in 1968 and 1969 respectively.

ACCOUNTANTS' REPORT

Board of Directors
The Bethlehem Corporation

We have examined the balance sheet of THE BETHLEHEM CORPORATION (a Pennsylvania corporation) as of December 31, 1969, and the related statements of earnings, retained earnings, additional paid-in capital and changes in working capital for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We performed a similar examination for the preceding year.

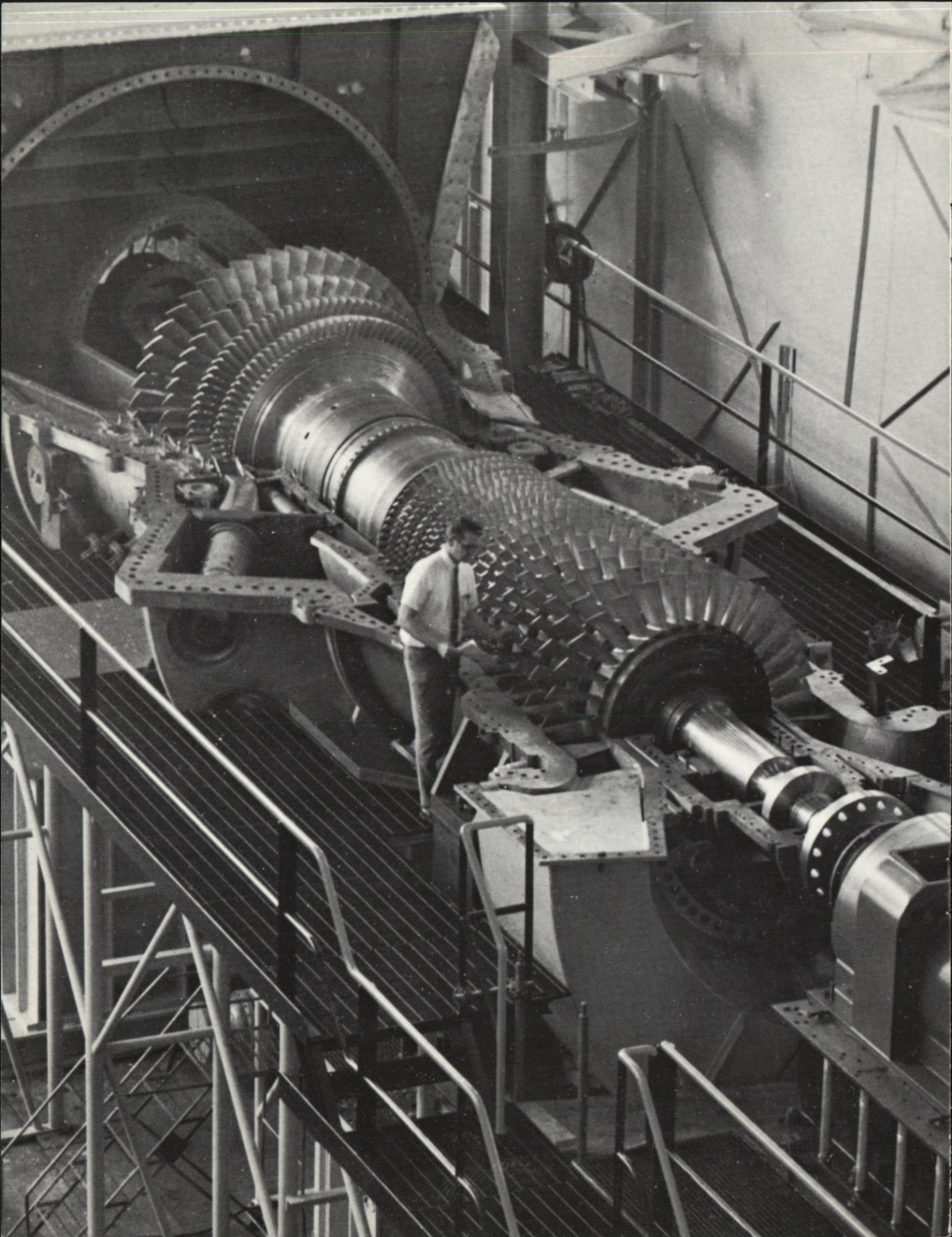
In our opinion, the statements mentioned above present fairly the financial position of The Bethlehem Corporation at December 31, 1969, and the results of its operations and changes in working capital for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

New York, New York
February 14, 1970

Alexander Grant & Company
Certified Public Accountants

FIVE YEAR FINANCIAL SUMMARY

	1969	1968	1967	1966	1965
Net Sales	\$11,674,719	\$8,919,433	\$7,857,041	\$7,595,836	\$6,398,918
Profit Before Taxes	914,252	1,147,104	1,153,737	916,944	246,323
% to Net Billings	7.8%	12.9%	14.7%	12.1%	3.8%
Profit After Taxes	389,477	539,104	588,737	476,944	165,482
% to Net Billings	3.3%	6.0%	7.5%	6.3%	2.6%
Earnings Per Share	.48	.67	.73	.61	.22
Cash Dividends Per Share	.136	.27	.27	.136	.09
Long Term Debt	2,726,143	0	0	0	0
Shareholders' Equity	4,624,778	4,348,446	4,030,000	3,661,000	3,108,000
Average Number of Shares	807,933	807,933	807,933	780,348	761,953



(Left) Bethlehem manufactures many of the major gas turbine parts shown in this plant assembly photo. The nation's demand for power reportedly will double in the next ten years, and Bethlehem expects that the additional facilities at Easton will permit increased shipments of turbine components by better than 25 percent in 1970.

DIRECTORS

John F. Bacon
O. Karl Dieckmann
Morris L. Forer
Roger C. Hubbard
Paul C. Kimball
Mendel Lurie
James I. McClintock
Wesley J. Peoples

OFFICERS

James I. McClintock
Chairman of the Board

Wesley J. Peoples
*Co-Chairman, President and
Chief Executive Officer*

Donald A. Bitters
*Vice President, Modern Collet &
Machine Division*

Walter Herzer
Vice President—Manufacturing

B. Ord Houston
Secretary-Treasurer

PLANT MANAGERS

Arthur W. Smith
*General Manager of the Bethlehem
Corporation plants at Bethlehem, Pa.*

H. J. Rosebery
*General Manager of the Bethlehem
Corporation plants at Easton, Pa.*

GENERAL COUNSEL

McClintock, Fulton, Donovan
& Waterman
Detroit, Mich.

PENNSYLVANIA COUNSEL

Wolf, Block, Schorr & Solis-Cohen
Philadelphia, Pa.

CERTIFIED PUBLIC ACCOUNTANTS

Alexander Grant & Company
New York, N. Y.

TRANSFER AGENT AND REGISTRAR

Registrar and Transfer Company
Jersey City, N. J.

STOCK LISTED

American Stock Exchange
Detroit Stock Exchange

ANNUAL MEETING

The Annual Meeting of shareholders
will be held at the Bethlehem Hotel on
April 27, 1970 at 11 A.M.



THE BETHLEHEM CORPORATION *Established 1856*

225 W. Second Street, Bethlehem, Pennsylvania 18016 Phone: 215-867-4605

PLANT LOCATIONS:

Bethlehem, Pennsylvania Easton, Pennsylvania Detroit, Michigan Oglesby, Illinois